

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021 21 October 2021

Key Points (all currency in Australian dollars unless stated otherwise):

- Group ore sales of **0.4 million wet metric tonnes (Mwmt)** in the quarter comprising 0.3 Mwmt from Koolan Island and 0.1 Mwmt from the Shine operation in the Mid-West.
- At **Koolan Island** the overburden stripping program progressed with 4.9 Mwmt of ore and waste material moved during the quarter, similar with the prior quarter, and increased ore grades are expected from later this year onwards. The Main Pit footwall ground support and crusher upgrade projects were progressed albeit with COVID-related labour pressures.
- **Koolan Island's Ore Reserves** as at 30 June 2021 were announced shortly after the end of the quarter¹ and comprise **17.5 million tonnes at 65.3% Fe**, making Koolan Island one of the highest grade direct shipping hematite iron ore deposits globally.
- As advised on 1 October, the Mid-West **Shine Project** will be suspended this quarter to preserve the value of the asset due to the rapid deterioration of market conditions, including steep price reductions, widening product discounts and significantly increased shipping freight charges from Geraldton Port.
- **Group cash outflow for the quarter of \$111 million**, reflecting Koolan waste stripping and capital project investments, and Shine development and stockpile build expenditure. Revenues totalled \$29 million before adverse provisional pricing adjustments from prior period shipments, reflecting the significantly weaker iron ore price in the quarter.
- **Cash and investments of \$250 million** at 30 September 2021, with no borrowings.
- Koolan Island sales guidance maintained at circa 2.0 Mwmt in 2021/22 and Shine guidance withdrawn.
- Profit after tax of \$64.0 million reported for the 2020/21 financial year, and a fully franked dividend of 2.0 cents per share paid in October, taking total dividends since 2011 to \$332 million.

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "The September quarter was a challenging one for many iron ore producers, specifically due to the dramatic deterioration of market conditions in which iron ore prices halved, product discounts and penalties substantially increased and shipping freight charges more than doubled. Despite this, the underlying value of our Koolan Island operation remains robust and our waste stripping program is continuing as planned to enable the resumption of high-grade production.

"The changed conditions necessitated a prompt response from the Company in relation to the Shine operation in the Mid-West, where we are in the process of suspending activities over the next month. This will preserve the value of the asset whilst maintaining the potential for a rapid restart should improved conditions justify.

"While our investment to complete the bulk waste stripping and footwall support programs at Koolan Island is drawing heavily on the cash reserves maintained for this purpose, it will facilitate a significant turnaround in sales volume and quality from the second half of the financial year onwards and provide the platform for substantial cashflow generation for the following five years of the mine life."

¹ Refer Mount Gibson's Mineral Resource and Ore Reserve statement announcement dated 8 October 2021.

PERFORMANCE AT A GLANCE

	Unit	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	2021/22 Year to Date
Standard DSO product sales	kwmt	672	396	232	481	439	439
Mid-West low-grade sales	kwmt	701	534	-	-	-	-
Total Ore Sales	kwmt	1,373	930	232	481	439	439
Platts 62% Fe CFR price, average	US\$/dmt	118	134	167	200	163	163
Platts 65% Fe CFR price, average	US\$/dmt	129	146	191	232	190	190
Realised Mid-West lump FOB price [#]	US\$/dmt	41	45	-	-	91	91
Realised Mid-West fines FOB price [#]	US\$/dmt	30	34	-	-	-	-
Realised Koolan fines FOB price [*]	US\$/dmt	104	149	106	65	23	23

Minor discrepancies may occur due to rounding.

kwmt = thousand wet metric tonnes.

US\$/dmt = USD per dry metric tonne.

[#] Realised Mid-West FOB prices are shown after shipping freight and specification adjustments/penalties.

^{*} Realised Koolan prices are shown after shipping freight and specification/penalty adjustments. The realised price for the September 2021 quarter reflects the temporary lower ore grades of approximately 55% Fe extracted during the major waste cut-back program, before prior period provisional pricing adjustments.

For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 3% for Koolan Island fines and approximately 4% for Mid-West products.

COVID-19 BUSINESS RESPONSE UPDATE

Restrictions imposed in June by the Western Australian Government continued into the early part of the September quarter. The ongoing travel restrictions, in particular the interstate border closures and quarantine restrictions applying to fly-in-fly-out (FIFO) personnel, have continued to limit the availability of skilled personnel and hinder the mining sector's operating activities, including Mount Gibson's sites. Some personnel will now be moved from Shine to Koolan Island to alleviate shortages in certain areas.

Mount Gibson personnel have responded positively to changing circumstances throughout the pandemic and no instances of COVID-19 have been reported at any Mount Gibson workplaces to date. The Company stands ready to respond promptly in the event of any reinstated government restrictions, and has also been a strong advocate of vaccination for all personnel. Subsequent to the end of the quarter, Mount Gibson has taken steps to ensure it complies with the recent WA Government announcement mandating vaccination for all resources sector personnel at regional sites.

OPERATIONS

Ore sales totalled 0.44 Mwmt in the September quarter reflecting the overburden stripping program at Koolan Island and the initial ore sales from the Shine operation in the Mid-West.

Operating statistics are tabulated in Appendix A.

Safety

Mount Gibson is committed to maintaining a safe work environment and safety-oriented culture in which all personnel consider both their own wellbeing and that of their colleagues. Continuous improvement in safety performance is a primary focus of the Company.

The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) was 13.6 incidents per one million man-hours at the end of September, compared with 13.8 at the end of June 2021. The rolling 12-month Lost Time Injury (LTI) Frequency Rate (LTIFR) improved significantly to 2.9 incidents per one million man-hours at the end of the quarter compared with 4.4 at the end of June. The Shine operation has been LTI-free since inception while the Company's Geraldton Port team exceeded 12 consecutive years without recording a LTI in late September.

Koolan Island

In the September quarter the Koolan Island operation progressed the elevated overburden stripping phase required to access increased volumes of higher-grade iron ore from the end of 2021 onwards.

Mining and Production

Total material movement (ore and waste) continued at elevated rates consistent with the mine plan and totalled 4.9 Mwmt in the period, similar to the total of 5.0 Mwmt mined during the June quarter.

On the southern side of the Main Pit, in-ground instrumentation continues to demonstrate that the seawall, which incorporates the installed impermeable seepage barrier, is performing well and operating to design expectations.

Mining is tracking to resume shortly in the western floor of the Main Pit, where activity has been restricted since late 2020 by the previously reported shallow surface rockfall on the upper Main Pit footwall. To ensure safe access for future mining, Mount Gibson has engaged a specialist contractor to undertake geotechnical footwall ground support anchoring in the impacted areas. Initial works commenced in May and although coverage has been progressively increasing, progress continues to be impeded by COVID-related interstate travel restrictions. The footwall anchoring works cost \$6 million in the September quarter.

Footwall anchoring work is effectively complete in the westernmost part of the Main Pit, allowing preparations for the resumption of mining on the pit floor beneath this area. The anchoring work is now focused on a broad central section of the Main Pit footwall which is designed to facilitate pit floor access to other higher grade areas next year.

Since late 2020, the lack of access to the floor of the Main Pit has confined production to lower-grade material (55-58% Fe). Production in the December quarter, although limited, will increasingly be sourced from higher grade zones within the Main Pit, as planned. As the waste stripping and footwall ground support programs are further advanced, increased ore volume and grades (of around 65% Fe) are anticipated.

Work on the major upgrade of the Koolan Island processing plant continued with completion anticipated in December. The amount spent in the September quarter was \$12 million. In the interim, the existing crushing plant is sufficient to handle present tonnages. The upgrade will ensure the crushing circuit is capable of processing significantly increased high grade ore tonnages scheduled in future years.

Ore sales for the quarter totalled 320,000 wmt of fines compared with 481,000 wmt in the prior quarter, reflecting the primary focus on the waste stripping program and limited ore access in the Main Pit. The average grade of ore sold in the quarter was 55.6% Fe, reflecting the lower grade material sourced from the upper western fringe of the Main Pit and the Acacia satellite pit on the northern side of the Island. Production has since been completed in both these areas and remaining stocks will be blended with higher grade material from the first accessible areas in the eastern and western ends of the Main Pit to meet the December quarter shipments, in which sales grades are targeted at circa 60% Fe.

Ore production and sales will be heavily weighted to the second half of the financial year. Sales guidance for Koolan Island remains unchanged at circa 2.0 Mwmt for the financial year, subject to the progress of the waste stripping and footwall anchoring programs, and the extent of any wet season rain interruptions.

Financial Performance

During the September quarter the cash drawdown at Koolan Island was \$82 million reflecting the advanced waste stripping investment, minimal revenues from low grade shipments, and advancement of the footwall anchoring and crusher upgrade projects. The Company expects a similar level of cash drawdown in the December quarter before ore shipment volumes progressively increase during 2022.

Unit mining and administration costs, including all transport and logistics charges for the island-based operation, were \$10.71 per tonne of ore and waste moved in the quarter, similar with the June quarter.

Unit cash costs per tonne sold were \$89/wmt before royalties, advanced waste stripping (\$38 million) and capital projects (\$18 million).

Mid-West Operations

Shine

Development of the Shine project, 85km north of the Extension Hill site, commenced in late 2020 with an initial targeted mine life of two years from an initial Ore Reserve of 2.8 Mt grading 59.4% Fe². Production commenced in April 2021. Ore is crushed on-site and trucked 300km via public roads to the Company's export facilities at Geraldton Port.

Mining and processing operations at Shine performed in line with expectations during the quarter. A total of 2.9 Mwmt of material was mined, including 240,000 wmt of ore, and the first shipment was completed in late August 2021 as scheduled. By quarter end, two shipments totalling 119,000 wmt of lump ore grading 58.8% Fe had been exported from Geraldton Port.

While production performance at Shine has been consistent with plan, the operation has unfortunately suffered extreme economic pressure due to the rapid deterioration in iron ore market conditions, particularly with regard to widening discounts for ores grading under 60% Fe, increased penalties for impurities and a sharp increase in shipping freight costs which have more than doubled to well above US\$30/tonne.

Consequently, on 1 October 2021, the Company announced a staged suspension of operations at Shine. Activity at site is being progressively ramped-down during October and will be suspended following the completion of the next planned shipment in late October or early November. This will preserve the value of the Shine deposit and provide time to assess the iron ore price outlook. The site will be maintained in a state that allows for a prompt resumption of operations in the event of a sustained improvement in market conditions sufficient to support a restart decision.

The site-based workforce at Shine totalled approximately 120 personnel at quarter end, including 48 Mount Gibson employees. Mount Gibson will retain a core team to keep the site secure and in good standing to enable activity to be promptly restarted should market conditions permit and is actively working to redeploy some employees to available roles at its Koolan Island operations. The Company is also working with its contractors and local communities to lessen the impacts of this necessary action.

Cashflow at Shine for the September quarter totaled an outflow of \$17 million reflecting final development, commissioning and initial operating costs, net of revenues, as well as advanced stripping in the open pit.

In light of the planned suspension of operations at Shine, sales guidance for the site has been withdrawn for the 2021/22 financial year.

Extension Hill

Rehabilitation of the Extension Hill site is now well advanced, with the accounting provision for rehabilitation of the site reduced to \$5.7 million as at 30 June 2021. Infrastructure remaining on site includes the crushing plant and accommodation camp. Expressions of interest have been received from various parties regarding the site and the remaining assets.

Exploration and Business Development

Mount Gibson is actively seeking potential development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy has primarily targeted opportunities in the bulk commodities and base metals sectors.

Equity positions have been purchased in several junior development and operating companies where it is considered that future financing or strategic opportunities may arise. These investments have a current market value of approximately \$13 million.

In addition, the Company continues to assess various greenfields and brownfields exploration opportunities for base metals deposits in the Mid-West region. As previously reported, the Company has entered into a farm-in agreement covering prospective exploration tenure north of the Company's Talling Peak site in the Mid-West approximately 160km northeast of Geraldton. A number of target areas have also been identified

² Refer ASX release dated 9 October 2020, and Competent Person attributions at the end of this report.

for further testing on the Company's existing exploration tenure in that region. During the quarter, initial mapping and sampling was undertaken within these Mid-West tenements which has identified prospective areas in which drilling is planned in the coming months. Flora and fauna surveys were undertaken over several priority drill targets.

CORPORATE

Realised Pricing and Revenue

Iron ore prices declined rapidly and materially in September quarter, reflecting Chinese Government imposed reductions in steel making to meet defined production limits set for the 2021 calendar year. These reductions were enforced after steel production rose in the June half of the year. Consequently, the September quarter average Platts CFR price (for delivery to northern China) for 62% Fe fines was US\$163/dmt compared with US\$200/dmt in the preceding quarter. The price fell as low as US\$94/dmt in September before recovering to US\$118/dmt at period end.

Koolan Island

During the quarter, the lower grade (and higher silica) fines products from Koolan Island achieved an average realised price of US\$23/dmt Free on Board (FOB) after penalties, compared with US\$65/dmt FOB in the prior quarter. The realised price in the quarter reflected the lower average sales grade of 55.6% Fe and higher impurity levels for Koolan Island fines while ore has been temporarily sourced from lower grade zones and satellite deposits during the current waste stripping program in the Main Pit. Production will now increasingly be sourced from higher grade zones in the Main Pit as the footwall works and waste stripping program progress. The average FOB realised price also reflected the significant increase in Panamax shipping freight charges, which averaged US\$20/wmt from Koolan Island in the quarter, compared with US\$14/wmt less than a year ago.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing market indices as well as Panamax shipping freight rates, specification adjustments and penalties for impurities. Provisional prices are recorded following shipment departure and final pricing typically reflects monthly averages either one or two months after the month of shipment. Given the significant adverse movements in prices, discounts and shipping freight rates during the quarter, Koolan incurred \$8 million in downward provisional pricing adjustments during the period.

Shine

Lump ore sales from Shine achieved an average realised price of \$91/dmt FOB, reflecting the average grade of ore shipped of 58.8% Fe, weaker market conditions and increased shipping freight costs.

Group

Group revenues totalled \$29 million FOB in the quarter before adverse provisional pricing adjustments of \$8 million. Australian-dollar revenue also reflected the A\$/US\$ exchange rate, with the A\$ averaging US\$0.735 in the September quarter, compared with an average of US\$0.770 in the preceding quarter.

Cashflow and Cash Position

The Company's cash and investments totalled \$250 million at quarter end, compared with \$365 million at 30 June 2021. The reduction reflected the significant ongoing investment at Koolan Island, final development and commissioning at Shine and the rapid deterioration in market conditions, particularly the increased discounts for lower grade ores and the sharp rise in shipping freight charges.

The cash outflow for the September quarter of \$111 million reflected the net investment at Koolan Island (\$82 million), Shine development, commissioning and initial operating costs (\$17 million), interest and other income (\$2 million), corporate and exploration costs (\$4 million) and realised hedging losses (\$10 million). After working capital outflows of \$4 million, reflecting the timing of receipts and payments, this resulted in a reduction of \$115 million in the Company's cash and investment balance over the quarter.

Financial Results and Dividend for 2020/21 Financial Year

On 24 August the Company reported a profit after tax of \$64.0 million for the year ended 30 June 2021 and declared a fully franked dividend of 2.0 cents per share, payable on 6 October 2021. The \$24 million dividend was paid in early October via cash (\$12 million) and the issue of 22.6 million shares under the Company's Dividend Reinvestment Plan. The dividend takes the total fully franked distributions made by Mount Gibson since it paid its first dividend in late 2011 to \$332 million.

The Company also released its 2021 Annual Report on 11 October 2021. The report is available on the Mount Gibson website.

Annual Statement of Mineral Resources and Ore Reserves

Subsequent to the end of the quarter, on 8 October 2021, Mount Gibson released its Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2021.

As at the reporting date, total Mineral Resources were 67.4 Mt grading 61.7% Fe, a reduction of 3% over the prior year due to mining depletion.

Total Ore Reserves were 20.3 Mt grading 64.5% Fe, including 17.5 Mt grading 65.3% Fe at Koolan Island, highlighting the attraction of this unique high-grade deposit.

2021 Annual General Meeting

The Company will hold its Annual General Meeting at 10:30am AWST on Wednesday 10 November 2021. Consistent with the previous year, the meeting will be held as a "virtual" meeting given continuing COVID-19 related restrictions, notably on interstate travel. Details of the meeting, including resolutions and instructions on how to vote and participate are provided in the Notice of Meeting, released to the ASX on 11 October 2021 and published on the Company's website.

Authorised by:

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Mount Gibson will host an analysts/institutions teleconference at **11.30am AEDT (8:30am WST)** on **Thursday 21 October 2021**. Investors will be able to listen to the teleconference by dialling **1300 278 865** immediately prior to the scheduled start time and entering the access code **18314558#** at the prompts. A recording of the teleconference will be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached on 1300 289 804 (Australian callers) or +613 8788 6028 (overseas callers).



Figure 1: Koolan Island Main Pit, looking west, October 2021.



Figure 2: Main Pit upper footwall ground support work - installation of anchors, September 2021.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	2021/22 Year to Date
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	4,544	5,259	4,182	4,720	4,508	4,508
Ore mined	672	184	260	314	346	346
Ore crushed	683	285	242	405	412	412
Shipping/Sales*						
Standard & low grade Fines	672	396	232	481	320	320
Total	672	396	232	481	320	320
MID-WEST						
Mining & Crushing						
Waste mined	-	-	73	1,793	2,623	2,623
Ore mined^	155	423	-	55	240	240
Product crushed#	680	324	-	10	223	223
Shipping/Sales*						
Standard Lump	-	-	-	-	119	119
Low-grade Lump	416	472	-	-	-	-
Low-grade Fines	285	61	-	-	-	-
Total	701	534	-	-	119	119
CONSOLIDATED DATA						
Shipping/Sales*						
Standard Lump	-	-	-	-	119	119
Standard & low grade Fines	672	396	232	481	320	320
Low-grade Lump	416	472	-	-	-	-
Low-grade Fines	285	61	-	-	-	-
Total	1,373	930	232	481	439	439
kwmt = thousand wet metric tonnes. * Mount Gibson ships in Panamax vessels which contain an average of 60,000 wmt from Geraldton Port in the Mid-West, and 72,000-82,000 wmt from Koolan Island. ^ Ore mined at Extension Hill in the 2020/21 year refers to low-grade detrital gravels recovered in the final months of the low-grade sales program. Mid-West production and sales data from the March quarter 2021 onwards is from Shine. Minor discrepancies may appear due to rounding.						

Competent Person Statements

Mineral Resources:

The information in this report relating to Mineral Resources is based on information compiled by Ms Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is a consultant to, Mount Gibson Iron Limited, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Ore Reserves

The information in this report relating to Ore Reserves is based on information compiled by Mr Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of Mount Gibson Iron Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.